

WESTERN AREA POWER ADMINISTRATION
LOVELAND AREA PROJECTS AND
PICK-SLOAN MISSOURI BASIN PROGRAM

COMMENTS OF
TRI-STATE GENERATION AND TRANSMISSION ASSOCIATION, INC.

REGARDING THE PROPOSED FIRM ELECTRIC SERVICE RATE ADJUSTMENT
SEPTEMBER 10, 2003

The comments presented herein are in response to the proposed adjustment by Western Area Power Administration (Western) in the firm electric service rate of the Loveland Area Projects (LAP) and the Pick-Sloan Missouri Basin Program (P-SMBP).

Tri-State Generation and Transmission Association, Inc. (Tri-State) is a wholesale supplier of electricity to forty-four (44) member distribution systems throughout Colorado, Nebraska, New Mexico, and Wyoming. These member utilities, in turn, serve residences, farms, ranches, small towns, businesses, and industries. Tri-State serves a total population of approximately 950,000 people across a 250,000 square-mile area.

Tri-State appreciates the opportunity to comment on the proposed LAP adjustment, and in general feels the proposed rate increase is justified.

Although Western's proposal calls for implementation of the rate increase with a one-step increase in January, 2004, Western has also requested comments regarding a two-step rate increase alternative. After examining the two-step alternative as described in the July 2003 Public Information Forum, Tri-State supports a two-step rate increase to minimize expenses in 2004 for the firm power customers.

Tri-State will also provide brief comments on the tiered rate of the P-SMBP Eastern Division. It appears to Tri-State that the increase in the volume of purchases that Western projects are required to meet the estimated 1,101 GWh per year of tiered energy is justified. In page 9 of the P-SMBP Customer Rate Brochure, Western states that its energy sales have increased since the last rate adjustment due to two factors. First, firm customers' load factors have increased. Second, firm peaking power Contract Rates of Delivery (CROD), which have no firm energy associated with them, were subject to the 4% withdrawals for the Post-2000 Resource Pool. When the Post-2000 Resource Pool was allocated, the withdrawals from the peaking power were converted to firm power allocations which Western must support with firm energy. These reasons justify the projected increase in energy purchases necessary to supply the tiered rate product.

Tri-State is concerned though, that the neither the current, nor the proposed tiered rate will recovered the costs of the energy provided with this product, and could thus ultimately effect the LAP rate. The tiered rate was last adjusted in 1982, and at that time the projected price of the off-peak purchases associated with this product was 14.4

mills/kWh. This remains the projected price of the off-peak purchases associated with the projected rate. Although Tri-State realizes that P-SMBP Eastern Division can utilize its storage capability to help purchase off-peak energy at low prices, Tri-State finds it doubtful that the off-peak price Western used in 1982 remains representative of current and forecasted market prices. In its P-SMBP Customer Rate Brochure, Western states that the tiered rate is intended to recover Western's purchase costs to provide this energy. Tri-State concurs that the tiered rate should recover the product's costs, and suggests that Western more closely examine the purchases, including both volume and price, associated in providing this product to assure that all costs are recovered in the tiered rate.